

## Have you ever thought about donating shares to charity?

**The idea of giving shares to charity is not new, but since 6 April 2000 there have been new tax incentives to make it even more attractive. And there are other reasons why giving shares might appeal to you.**

Do you hold windfall shares as a result of a privatisation or demutualisation that are effectively gathering dust, making little difference to you? They could make a big difference to a charity. Or maybe you own very small parcels of shares, perhaps as the result of an inheritance, that you regard as a bit of a nuisance as they generate more paperwork than income. These could be turned into something of real value to others if you give them to charity.

Twelve million people own shares in the UK, worth a staggering £200 billion. If only a tiny fraction of these shares were donated to charities imagine what a difference it could make!

This leaflet gives you some good reasons for giving shares and some guidance on how to do it and where to get help if you need it. But it isn't complicated. Just talk to your favourite charity to work out the best way to give your shares.

### **What are the tax advantages?**

Put simply, you can claim tax relief equal to the market value of the shares on the day you make the gift, together with any associated costs such as brokers' fees. The relief is against your income tax for the year. For example, if you give a charity £1,000 worth of shares and you are a higher rate taxpayer, you will pay £400 less in income tax that year.

Additionally, you will not have to pay any capital gains tax (CGT) on any increase in the value of the shares since you bought them. In theory this could mean a further 'saving' of up to 40% for a higher rate taxpayer although, in practice, the tax saving is likely to be less than 40%. If your shares have gone down in value, you should be aware that you will not be able to use this loss to offset any other CGT liability you may have.

**“ The only time I ever remembered my windfall shares was when I had to do my tax return. I decided to give them to the Get Up and Give appeal instead. ”**

## What do I need to do?

You need to:

- Make the gift to a UK charity.
- Keep evidence of the gift, and of the date it was made.
- Claim the appropriate tax relief.
- Be aware that if you receive any benefit as a result of making the gift, this will reduce your tax relief.

The relief is available for shares and securities listed on the UK Stock Market, the Alternative Investment Market, and recognised stock exchanges overseas. It is also available for units in a UK unit trust, shares in a UK open-ended investment company (OEIC), and some similar foreign investments.

## How do I go about making the gift?

As a first step contact the charity to which you want to give. Many charities will be delighted to arrange the transaction for you or to guide you through it. If the charity isn't in a position to handle the process for you, and this is more likely with smaller charities, don't worry. It's quite straightforward and there is plenty of advice available. Organisations such as the Charities Aid Foundation (CAF) or Sharegift will be glad to help. Details of these organisations are given later in the leaflet.

If you would prefer to handle the gift yourself, what you do depends on whether you have an actual share certificate, or whether your shares are held in a nominee account.

### ***If you hold a share certificate:***

Contact the company's registrar. Their details can be found on your share certificate, dividend vouchers, the company's annual report, or their website. The company's registrar will provide a stock transfer form for you to complete and return to them.

It is important that you keep a copy of this form. It is your evidence to the Inland Revenue concerning the date of the gift. The company registrar will then issue a new certificate to the charity.

### ***If your shares are held in a nominee account:***

Ask your broker to transfer the shares for you. The broker may charge you for this service, but you should be able to get tax relief on this as well as the value of the shares.

***“ I wanted to give to charity straightaway and was keen to get income tax relief as a result of my donation. Donating the shares would also help me to tidy up my portfolio. ”***

### What will the charity do with the shares?

The charity may sell the shares or keep them as an investment.

If the charity asks you to sell the shares on its behalf, please keep clear evidence that you made the gift before the shares were sold. Unless you do this you won't be able to claim tax relief on your gift.

An exchange of letters between you and the charity is all that is needed as evidence. This should show when you made the gift to the charity, and the fact that the charity asked you to dispose of the shares on its behalf.

### Is it better to make gifts of shares or cash?

The answer to this question depends on your individual tax situation and whether you wish the charity to get the greatest benefit from the tax relief or yourself.

- With a gift of shares, you get the tax relief. If the shares you give are worth say £1,000, the charity will get that gift and you can claim tax relief of £220 or £400, depending on whether you are a basic rate or higher rate taxpayer.
- If you give cash to a charity through Gift Aid, (which requires the completion of a simple form), the charity can claim back basic rate tax - your cash gift of £100 is worth £128 to the charity. If you are a higher rate taxpayer, you can also claim back the difference between the basic and higher rate. But if you sold shares to raise the cash for the donation, you may have to pay Capital Gains Tax on any increase in the market value of these shares.

If you are uncertain about the best way to give you should seek professional advice from an accountant, a financial adviser or a solicitor.

### How do I claim the tax relief?

You can claim relief by

- completing the appropriate section of your Self Assessment return, or
- requesting that your PAYE code is amended for the current tax year, or
- requesting that your Self Assessment Payments on Account are reduced.

If you are not sent a Self Assessment return at the end of the tax year, or if you want to claim relief before the end of the current tax year, you should write to your Tax Office, giving full details of the gift in order to claim the relief.

### Is there a simpler way of making gifts of shares to charities?

**Yes.** A number of organisations offer services to facilitate gifts of shares.

The Charities Aid Foundation provides a range of services to handle gifts of shares, large and small, including distributing the gift to more than one charity. You can contact them at:

#### **Charities Aid Foundation**

Kings Hill, West Malling, Kent, ME19 4TA

Phone: 01732 520000

Website: [www.allaboutgiving.org](http://www.allaboutgiving.org)

**“ Giving shares to charity means I can dispose of them without paying capital gains tax. I can offset it against taxed income. It's win-win really. It gives more money to me and to the charity. ”**

If you have a small number of shares, Sharegift, the charity share donation scheme, can help. It will accept your shares and then pool them with shares given by other people. The proceeds of these shares are donated to a number of charities. Sharegift will also help in other ways. For example, you may wish to remain anonymous or to help more than one charity from the same shareholding. You can contact them at:

**Sharegift**

24 Grosvenor Gardens, London SW1W 0DH

Phone: 020 7337 0501

Website: [www.sharegift.org](http://www.sharegift.org)

**Inland Revenue Leaflets**

Further details on how the tax relief works are covered in full in the Inland Revenue's leaflet IR 178, which you can find on their website [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk). You can also order a copy by telephone on 0845 9000 404. This leaflet also deals with gifts of shares made to charities by companies.

*You can contact the Inland Revenue at*

*Tel 0151 472 6043/6046 (queries on gifts of shares)*

*Tel: 0131 777 4040 (all queries in Scotland)*

*You may also find it helpful to look at:*

**IR 295** *Relief for gifts and similar transactions*

**IR 64** *Giving to charity by business*

**IR 65** *Giving to charity by individuals*

**Share giving in practice - some case studies**

*Here are just a few examples of how and why individuals, families and businesses decided to donate their shares.*

■ **Windfall shareholder, Helen**

Helen received some windfall shares in one of the big building societies when it demutualised. Over time, various mergers meant that she ended up with several different certificates for the same holding and she didn't really keep track of the shares. "To be honest, I put the share certificates in a drawer and the only time I ever remembered that I had them was when I had to search for the dividend slip to include in my yearly tax return."

Several years later, the shares were worth about £700. However Helen didn't think she would ever get round to selling them. "I decided to give them to GMTV's Get Up and Give Appeal 2001 instead. I am involved with the appeal, so it was a great way for me to make a sizeable donation without actually writing out a cheque."

For Helen the amount of paperwork was minimal. This was because the transfer of the shares to the charity was arranged by Sharegift, the charity shares donation scheme. "All I had to do was send in my share certificate and sign the transfer form that was sent to me - the most difficult part was remembering where I had put the certificate!"

### ■ *A Higher Rate Taxpayer, Bruce*

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Bruce is a higher rate taxpayer with a large portfolio of shares, some of which have substantial capital gains. Usually he makes cash gifts under the Gift Aid scheme but last year he gave 500 shares in a former building society to the Charities Aid Foundation (CAF). CAF sold the shares for £4,000 and paid the proceeds into Bruce's Charity Account from which he distributed the money to local charities of his choice.

The gift reduced his tax bill by £1,600 and he decided to give that to his church.

### ■ *Tax efficient donations, The Stevenson Family*

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Alan Stevenson and his wife Vanessa decided to donate some shares that he originally received as an inheritance from his mother.

The proceeds were used to set up a charitable fund, named after the Stevenson family and operated by the Greater Bristol Foundation (a member of the Community Foundation Network). The Community Foundation Network is an organisation which promotes, develops and supports community foundations throughout the UK, helping donors to benefit the local community.

Alan explained the tax benefits, "This way I can dispose of shares without paying capital gains tax, and I can offset it against taxed income. It's win, win really. It gives more money to you and to the charity."

### ■ *Making large gifts, Georgina*

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Georgina gave 12,000 Investment Trust shares to CAF in November 2000 and asked that CAF to pay the proceeds on sale, £68,000, to the Churches Conservation Trust. In January 2001 she made a further gift of shares, this time sold for £45,000. The proceeds were again donated to the Churches Conservation Trust.

### ■ *Giving to more than one charity, Angela*

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Angela owned shares worth £25,000 in a High Street Bank. She discussed matters with her financial adviser and decided to donate these shares to charity. "Ideally, I wanted to give to charity straightaway and I was keen to get income tax relief as a result of my donation. Donating the shares would also help me to tidy up my portfolio."

The shares were transferred from Angela's nominee account. She wanted several good causes to benefit so she contacted them to find out their details. "Unfortunately, they all had different arrangements. Luckily, one of them put me in touch with Sharegift. They handled the transfer and the sale of my shares and made donations from the proceeds to all the charities I wanted to support."

### ■ *Company giving shares, Ringtons Tea*

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Ringtons Tea, based in Newcastle, gave shares worth £250,000 to the named fund they set up using the Community Foundation serving Tyne & Wear and Northumberland. With the current tax incentives this arrangement made good sense for the company. If the shares had been sold their value would have been reduced by almost half, and so less would have been available for donation. Ringtons Tea was therefore able to build up its charitable fund to support local community projects.



# How to share 40% more with your favourite charity

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A GUIDE TO GIVING SHARES TO CHARITY